



Legislative Fiscal Bureau

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TO: Members
Wisconsin Legislature

FROM: Bob Lang, Director

SUBJECT: Property Tax Estimates, Governor and 2013 Wisconsin Act 20

This memorandum compares estimated property tax levels and tax bills under AB 40, as proposed by the Governor, and under 2013 Wisconsin Act 20, as adopted by the Legislature. Although there were 57 item vetoes of Enrolled AB 40, none affected estimated property tax levels for 2013(14) or 2014(15).

On April 11, 2013, this office distributed a memorandum entitled, "Property Tax Estimates Under Assembly Bill 40" that provided estimates of property tax levels under AB 40, as proposed by the Governor. The memorandum identified proposed changes to municipal, county, school district, and technical college district fiscal control programs and considered funding levels for state aid and property tax credit programs. Based on this information, statewide net property tax levels were estimated to increase by 1.5% in 2013(14) and 1.6% in 2014(15). The memorandum also projected the impact of these tax changes on homeowners by estimating the tax bills on a median-valued home taxed at statewide average tax rates. These estimates assume that the median home value will increase in value by 0.8% in 2013 and by 1.6% in 2014 while the statewide value of all types of properties will increase by 1.4% in 2013 and by 2.6% in 2014. By combining the estimates of property values and statewide property tax levels, the tax bill on a median-valued home taxed at statewide average tax rates was estimated to increase by 0.85% (\$25) in 2013(14) and by 0.61% (\$18) in 2014(15).

The Legislature modified a number of provisions affecting property tax levels in its adoption of AB 40. For counties and municipalities, modifications included creating an expanded carryover option for unused levy authority under the levy limit, which is estimated to have a small upward effect on county and municipal tax levies relative to the estimates under the original version of AB 40. For school districts, revenue limits were modified to provide a \$75 per pupil adjustment in 2013-14 and an additional \$75 per pupil adjustment in 2014-15. Funding for general school aids was increased by \$5 million in 2013-14 and \$36 million in 2014-15 to offset a portion of the

school levy increase that could result from the increases in the per pupil adjustment. In addition, modifications were made to reduce the aid reductions associated with the parental choice programs, which would have the effect of reducing the backfill levy associated with those programs.

Compared to the Governor, these modifications are estimated to increase property tax levels, as follows: (a) by \$20.0 million in 2013(14) and \$32.0 million in 2014(15) for school districts; (b) by \$2.5 million in 2013(14) and \$5.1 million in 2014(15) for municipalities; (c) by \$2.0 million in 2013(14) and \$4.1 million in 2014(15) for counties; and (d) by \$0.8 million in 2013(14) and \$1.5 million in 2014(15) for tax incremental districts. Finally, due to a higher estimated opening balance in the lottery fund and a minor change to proposed lottery operational funding, the lottery credit distribution is estimated to be higher by \$8.5 million in 2013(14) and \$0.1 million in 2014(15) than under the original estimates for AB 40.

As a result of the preceding changes, gross property tax levies are estimated to increase on a statewide basis by 1.7% in 2013(14) and 1.5% in 2014(15), and net tax levies would increase by an estimated 1.7% in 2013(14) and 1.9% in 2014(15). These tax changes would translate into tax bills for a median-valued home estimated at \$2,973 in 2013(14) and \$3,002 in 2014(15). These represent increases of \$29 (0.99%) in 2013(14) and \$29 (0.98%) in 2014(15).

Compared to the original AB 40 estimates, gross property taxes would be higher by \$25.3 million in 2013(14) and \$42.7 million in 2014(15) and net property taxes would be higher by \$16.8 million in 2013(14) and \$42.5 million in 2014(15). Tax bill estimates are higher by \$4 in 2013(14) and \$15 in 2014(15); therefore, over the two years of the biennium, estimated taxes on a median-valued home would be \$19 higher under Act 20 than under AB 40. The attached table reports statewide property tax estimates and estimated tax bills for 2013(14) and 2014(15) under AB 40, as proposed by the Governor, and under Act 20.

The tax bill estimates in this memorandum are for the state as a whole. The impacts in individual municipalities could vary considerably from these figures.

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Attachment

ATTACHMENT

Property Tax Estimates Under AB 40, as Proposed by the Governor, and Under Act 20, as Adopted by the Legislature

	<u>2012(13)</u>	<u>Governor's Proposal</u>		<u>Act 20 (Legislature)</u>	
		<u>2013(14)</u>	<u>2014(15)</u>	<u>2013(14)</u>	<u>2014(15)</u>
Tax Levies (In Millions)					
Municipalities	\$2,500.6	\$2,545.6	\$2,596.5	\$2,548.1	\$2,601.6
Counties	1,986.4	2,012.2	2,042.4	2,014.2	2,046.5
School Districts	4,656.1	4,715.0	4,765.0	4,735.0	4,797.0
Technical College Districts	786.7	798.4	804.3	798.4	804.3
Tax Increment Districts	359.7	367.5	372.5	368.3	374.0
Special Purpose Districts	101.9	103.9	106.0	103.9	106.0
State Forestry	<u>79.9</u>	<u>81.1</u>	<u>83.2</u>	<u>81.1</u>	<u>83.2</u>
Gross Property Tax Levies	\$10,471.3	\$10,623.7	\$10,769.9	\$10,649.0	\$10,812.6
Change to Prior Year		152.4	146.2	177.7	163.6
Net Property Tax Levies	\$9,436.5	\$9,579.1	\$9,732.2	\$9,595.9	\$9,774.7
Change to Prior Year		142.6	153.1	159.4	178.8
Percent Change					
Municipalities		1.8%	2.0%	1.9%	2.1%
Counties		1.3	1.5	1.4	1.6
School Districts		1.3	1.1	1.7	1.3
Technical College Districts		1.5	0.7	1.5	0.7
Tax Increment Districts		2.2	1.4	2.4	1.5
Special Purpose Districts		2.0	2.0	2.0	2.0
State Forestry		1.4	2.6	1.4	2.6
Gross Property Tax Levies		1.5%	1.4%	1.7%	1.5%
Net Property Tax Levies		1.5	1.6	1.7	1.9
Tax Bill Estimate					
Median-Valued Home	\$151,148	\$152,400	\$154,800	\$152,400	\$154,800
Tax Bill Estimate	\$2,944	\$2,969	\$2,987	\$2,973	\$3,002
Change to Governor's Proposal				\$4	\$15
Change Over Prior Year					
- Amount		\$25	\$18	\$29	\$29
- Percent		0.85%	0.61%	0.99%	0.98%